
Interdepartmental Procedure Manual

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Table of Contents

Chapter 1: Introduction

What is Interdepartmental Business?	1-1
Interdepartmental Billing Procedures	1-3

Chapter 2: Tables and Transactions

Introduction	2-1
Interdepartmental Options Table (IDOP)	2-2
Approved Chargeback Service Identifier Table (ACSI)	2-6
Authorized Chargeback Department Table (CHBK)	2-8
Interdepartmental Options by Revenue Source Table (IDOR)	2-13
Interdepartmental Encumbrance Text Code Table (IETX)	2-17
Interdepartmental Text Table (IDTX)	2-19
Interdepartmental Buyer Department Contact Table (IBDC)	2-21
Chargeback Estimation Table (CBET)	2-24
Interdepartmental Encumbrance Document (IE)	2-28
Interdepartmental Encumbrance History Table (IEHT)	2-33
Interdepartmental Encumbrance History by Line Table (IEHL)	2-37
Print IE Notice Table (PIEN)	2-40
Chargeback by IE Number Table (CBIE)	2-43
Interdepartmental Voucher Text Code Table (IVTX)	2-48
Chargeback Billing Entry Table (CBBE)	2-50
Sample Interdepartmental Payment Voucher Document Header/Line Screens	2-54
Sample Interdepartmental Payment Voucher	

Table of Contents

Interdepartmental Voucher History Table (IVHT)	2-59
Interdepartmental Voucher History Line (IVHL)	2-62
Interdepartmental Voucher History Table by IV Number (IVHQ)	2-64
Interdepartmental Print Notice Table (PIVN)	2-67
Chargeback Department Billing information Table (CBBI)	2-70
Chargeback Billing Inquiry by Effective Date Table (CBBQ)	2-74
Department Chargeback Estimation Listing Table (DCEL)	2-77
Interdepartmental Detail Table (IDET)	2-79
Interdepartmental Summary Table (ISUM)	2-82

Appendix I

Interdepartmental Billing Process	A01
---	-----

Appendix II

Interdepartmental Table Summary	A-01
---	------

Appendix III

Chargeback Department Authorization Form	A-01
--	------

Appendix IV

Examples of Legislative Authorization for Interdepartmental Chargebacks	A-01
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CHAPTER 1

Introduction

What is Interdepartmental Business?

Pursuant to 815 CMR 6.00 (Code of Massachusetts Regulations). Interdepartmental business refers to contractual agreements between state departments for the provision of goods and/or services. Payments are made by a transfer of funds between the accounts of the departments on MMARS. The Office of the State Comptroller is responsible for authorizing and processing all interdepartmental business.

There are currently 3 types of interdepartmental business:

- **Interdepartmental Service Agreements (ISAs).** ISA's are contractual agreements between 2 or more state departments of the Commonwealth for the provision of goods, services or programs. The buyer department requests goods, services or programs from a seller department. The seller department must be statutorily authorized to provide the goods, services or programs. The two or more departments must negotiate the terms and conditions and sign an ISA agreement. The ISA must be approved by CTR before goods and services are rendered or payments are made. (For more information please see MMARS Memo #200 and #200A).

- **Interdepartmental Chargebacks.** Chargebacks are mandated and optional charges for legislatively authorized goods and

services provided by an Authorized Chargeback Department. There are three categories of Chargeback departments:

Ad Hoc Chargeback Department. A state department which has specific legislative authority to charge other state departments (Buyers) for authorized goods and services. The buyer department must request the goods and services and encumber funds prior to the provision of goods and services. For example, this category includes renovation services for state buildings from the Bureau of State Buildings(BSB), moving and auto repairs from the inmates at the Department of Correction(DOC) and overtime police details provided by the Department of Police(POL).

Public Fee Chargeback Department. A state department which has specific legislative authority to charge other state departments (Buyers) and the general public for authorized goods and services. This category includes license fees, certifications, registrations, filing fees and purchase of publications.

Statewide Chargeback Department. A state department which has specific legislative authority to charge other state departments (Buyers) for certain mandated goods and services based upon a percentage of usage or a pre-calculated assessment. The buyer department is automatically billed for statewide chargeback and must encumber funds for these charges. The Office of the State Comptroller (CTR) is legislatively authorized to encumber funds on behalf of a buyer department that fails to encumber sufficient funds for these charges. This category includes chargebacks for telecommunications, centralized mail and computer services, unemployment insurance, universal health care, etc.

- **Operating Transfer.** A state department which has specific legislative authority to transfer funds to another fund. All Operating Transfers (OT) are processed by The Office of the State Comptroller (CTR). This includes mandated transfers for debt service, deficit bailouts and draws from reserve accounts.

Enhancements to the interdepartmental technology were made to MMARS in FY94. The system was designed and developed to automate and streamline Interdepartmental Chargeback Billing for the Commonwealth. It provides departments with "on-line" access to chargeback information, accommodates dispute resolution, reduces CTR and Department time and effort, and ensures efficient and accurate budgetary and accounting control and reporting.

Inter-departmental Billing Procedures

The following is a brief description of the activities necessary to conduct Interdepartmental business. Detailed policies and procedures can be found in the following Documents:

- 815 CMR 6.00 Code of Massachusetts Regulations.
- The Annual Closing/Opening Instructions.
- MMARS Memo # 203 New Interdepartmental Enhancement To MMARS
- MMARS Memo # 211 Encumbering Retained Revenue Accounts (Type 01)
- MMARS Memo 212A/B Chargeback Issues & Concerns

The Authorization Process:

A department must be approved as an Authorized Chargeback Department before charging another state department for goods and/or services. Chargeback department status is approved annually by the Office of the State Comptroller. Any department seeking Authorized Chargeback Department Status must submit the

following documentation before providing goods and services, but no later than 15 days after the passage of the General Appropriation Act:

- A completed Chargeback Department Authorization Form signed by the department's signatory authority. Please see Appendix III.
- The department's "specific legislative authorization" to charge other state departments or the general public for specified goods and services. Please see Appendix IV for examples.
- A schedule of rates and charges for the authorized goods or services, including an explanation of how each rate was derived.
- The eight-digit account number, retained revenue account, or fund to be credited with chargeback funds.

Legislative Authorization for Interdepartmental Chargebacks:

"Specific legislative authorization" means clear and unambiguous language indicating legislative intent that a department is authorized to charge for a specified good or service. Departments *may not* accept revenue or charge a fee for goods and services without specific legislative authorization. Legislative authorization will not be inferred from the general intent of a department's enabling legislation.

The best type of specific legislative authorization is statutory, a statute in Massachusetts General Laws (M.G.L.). However, the most common forms of legislative authorization are evidenced by language included in line-item appropriations and outside sections in the General Appropriation Act (GAA) and subsequent supplemental budgets.

The majority of interdepartmental chargebacks are identified in line-item appropriations in Section 2B of the GAA in the Intragovernmental Service Fund (015) established pursuant to M.G.L.

Chapter 29 Section 2Q. Line-item appropriations listed in this section are subject to appropriation by the Legislature and have obligation and expenditure ceilings based upon transfers of funds from other state departments.

Fund 015 is restricted to interdepartmental charges and transfer between state departments recognized on MMARS. Cash or checks (deposited through a CT) from other state departments *may not* be deposited in Fund 015 by a Chargeback department. The correct process for interdepartmental chargeback business is through the IE/IV process explained in this manual. A Chargeback department that has inadvertently received a cash or check from another state department is responsible for returning the cash or check to the department or taking such necessary steps as the Comptroller's Accounting Bureau may prescribe to correct the transaction.

The second most common location of legislative authorization for chargebacks, primarily public fee chargebacks, is Section 2. of the GAA. Chargebacks are evidenced by specific legislative authorization to charge other state departments, or the general public, for specifically named goods and services. Line-items in Fund 010 are either *restricted* (retained revenue accounts with an obligation and expenditure ceiling based upon revenues received) or *unrestricted* (all revenues collected are deposited in the General Fund or other named Fund). Unless otherwise specified in the line-item, revenues will be considered *unrestricted*.

Section 2. of the GAA is the appropriate place for public fee chargeback legislative authorization. Public Fee Chargeback Departments receive outside revenue from the general public or other non-state entities in the form of cash or checks (CT). Charges to other state departments are reflected as transfers between accounts and not outside revenue. Therefore, Fund 010 line-items for chargebacks should be limited to charges to non-state entities. Public fee chargeback departments with legislative authorization in Section 2. of the GAA to charge both state departments for legislatively mandated goods and services should work with their Budget Bureau analyst to file a corresponding line-item in Section 2B of the GAA representing the amounts customarily charged to

state departments. Having two line-items, one in Section 2. for outside revenues and one in Section 2B for interdepartmental transfers more accurately reflects a department's actual business.

Ad Hoc chargeback departments with legislative authorization in Section 2. of the GAA to charge other state departments for goods or services should work with their Budget Bureau analyst to re-file the Section 2 line-item in Section 2B of the GAA for the same reasons outlined above.

Legislative authorization for chargebacks may also be found in outside sections to the GAA, although, as with any authorization the GAA, unless otherwise specified, such legislative authorization terminates with the termination of the GAA on June 30th each fiscal year. The Chargeback Department must ensure that the legislation is re-filed and approved by the Legislature and Governor on an annual basis.

Please refer to APPENDIX IV for examples of specific legislative authorization for chargebacks. Departments seeking to charge a fee to other state departments or non-state entities for goods or services should work closely with their legal counsel, their fiscal officers and their Budget Bureau analyst when drafting and filing chargeback legislation.

Chargeback departments may only charge Buyer departments for legislatively authorized goods and services. The Legal Unit of the Office of the State Comptroller will enter this information in MMARS on the Approved Chargeback Service Identifier Table (ACSI) and the Chargeback Table (CHBK). These tables notify an Authorized Chargeback Department and other departments of chargeback department status.

Annual Activities:

The Office of the State Comptroller will establish two Control Tables at the beginning of each Fiscal Year. The Interdepartmental Option Table (IDOP) is the statewide control table for Interdepartmental Business. The Interdepartmental Options by Revenue Source Table

(IDOR) table allows Chargeback Departments, with authorization from the Office of the Comptroller, to override the options set on the IDOP Table.

Chargeback departments control the distribution of Interdepartmental Encumbrance (IE) and Interdepartmental Voucher (IV) documents. This is controlled by the IDOP and IDOR tables. Chargeback Departments have the option to review the IE and IV prior to distribution or to distribute the documents directly to the Buyer Departments. The default is set for Chargeback Departments to review the IE and IV prior to distribution to the Buyer Department.

The name and address of a Buyer department to be billed is entered, by an Authorized Chargeback Department, on the Interdepartmental Buyer Department Contact Table (IBDC). It should be added before any entries are made to the Chargeback Estimation Table (CBET) for the name and address to print on the IE and the IV forms. It is the Chargeback Department's responsibility to maintain the IBDC Table and communicate with Buyer departments to ensure that this information is accurate. This is necessary to avoid delays in processing. (An IBDC record can be added after the CBET Table is added, but no contact information will print on IE or IV forms until the IBDC table is entered.)

Desired text for IE's and IV's can be entered by the Chargeback department on the Interdepartmental Encumbrance Text Code Table (IETX) and the Interdepartmental Voucher Text Code Table (IVTX). Once an IETX and/or IVTX has been added, the Interdepartmental Text Code Table (IDTX) may be used to assign text globally to all IE or IV generated by the Chargeback Department.

The Encumbering Process:

To begin the process the Chargeback Department must create an Encumbrance shell for the Buyer Department. The Chargeback Estimation Table (CBET) is entered by a Chargeback Department to generate an Interdepartmental Encumbrance Chargeback Form (IE) and an on-line IE Shell.

In the nightly cycle the system will create a record on the Interdepartmental Header Table (IEHT). Once the IE has been created, departments have the option to modify the documents. IE modifications require communication between the Buyer and the Chargeback departments. Both departments are required to effect a modification to an IE.

- **IE Modification before the IE has achieved DONE Status.** Should the Chargeback department decide to modify the IE after it has been generated from CBET but before it has gone done in the nightly cycle, it must update the corresponding dollar amount on IEHT with a "C" in the action. The IE dollar amount will edit against the IEHT dollar amount. Consequently, all changes made by the chargeback must be communicated to the Buyer department so they can make the same change on the IE document on suspense.
- **Modifications to IE documents that have achieved DONE Status.** Modifications to IE documents that have reached DONE status will be system generated when the Chargeback department updates the appropriate line on CBET. This is done by entering the net amount of the modification in the ENCUMBERED AMT field and entering an I or a D in the Increase/Decrease field. Zero dollar modification documents will require the Increase/Decrease flag to be set as well, by entering either an I or D in the appropriate field. In addition, the CBET table processor will only allow one unprocessed IE document on the Suspense File (SUSF) for each CBET record.

The IE documents are put in the Chargeback department's or the Buyer department's bin in OMIS on the 8th Floor of One Ashburton Place. If the Chargeback department chooses its bin, it may sign the IE and send it to the Buyer department with any relevant supporting documentation. Otherwise, the IE will go directly to the Buyer

department bin. This alerts the Buyer department that an IE Shell is on the suspense file for review and edit. Buyer departments are also responsible for monitoring the suspense file for IE and IV activity. The IE Shell must be processed by the Buyer department within 30 days of receipt of the original IE Form or an IE Late Notice will be issued. The late notices are system generated through the same process as the IE. The IE Late Notice will contain a Dunning Message. If after an additional ten days the IE has not been processed, a second IE Late Notice will be sent. The ideal sequence of events would have the Buyer Department process the IE to a DONE status on suspense within the thirty day time frame.

Chargeback departments must make diligent efforts to communicate with Buyer departments to ensure timely completion of IE's and encumbering of funds. These efforts at a minimum, should include repeated, documented contact with the Buyer department (eg. telephone, E-mail, fax, letters, etc.). As a last resort, copies of IE's and late notices and documented attempts to complete an IE should be sent to the Buyer Department's Legal Counsel or Department Head. If the Chargeback department is still unsuccessful in obtaining Buyer department cooperation on completing an IE, the Chargeback department may request assistance from the Office of The State Comptroller in a memorandum including copies of all relevant documentation concerning the IE.

Voucher Generation and Payment Procedures:

The Chargeback Billing Entry Table (CBBE) is automatically updated when an IE is processed to a DONE status. Records are changed on this table by putting a "C" in the Action and entering the required fields. The actual IV amount must be entered for an Ad hoc billing frequency. For other billing frequencies such as monthly, quarterly, semi-annual and annual the calculated IV amount is automatically updated but can be overridden by an entry to the Actual IV Amount Field. The IV bills and IV documents on the suspense file are generated based on the information provided on the CBBE table. Should the Chargeback department after consultation with the Buyer department determine that a change to the IV amount is necessary, it updates the dollar amount on the corresponding IVHT record with

Introduction

a "C" in the action field. The Buyer then must make a similar change to the IV on suspense in order to successfully edit against IVHT.

(For more detailed information on any of the MMARS tables or transactions mentioned previously refer to chapter 2.)